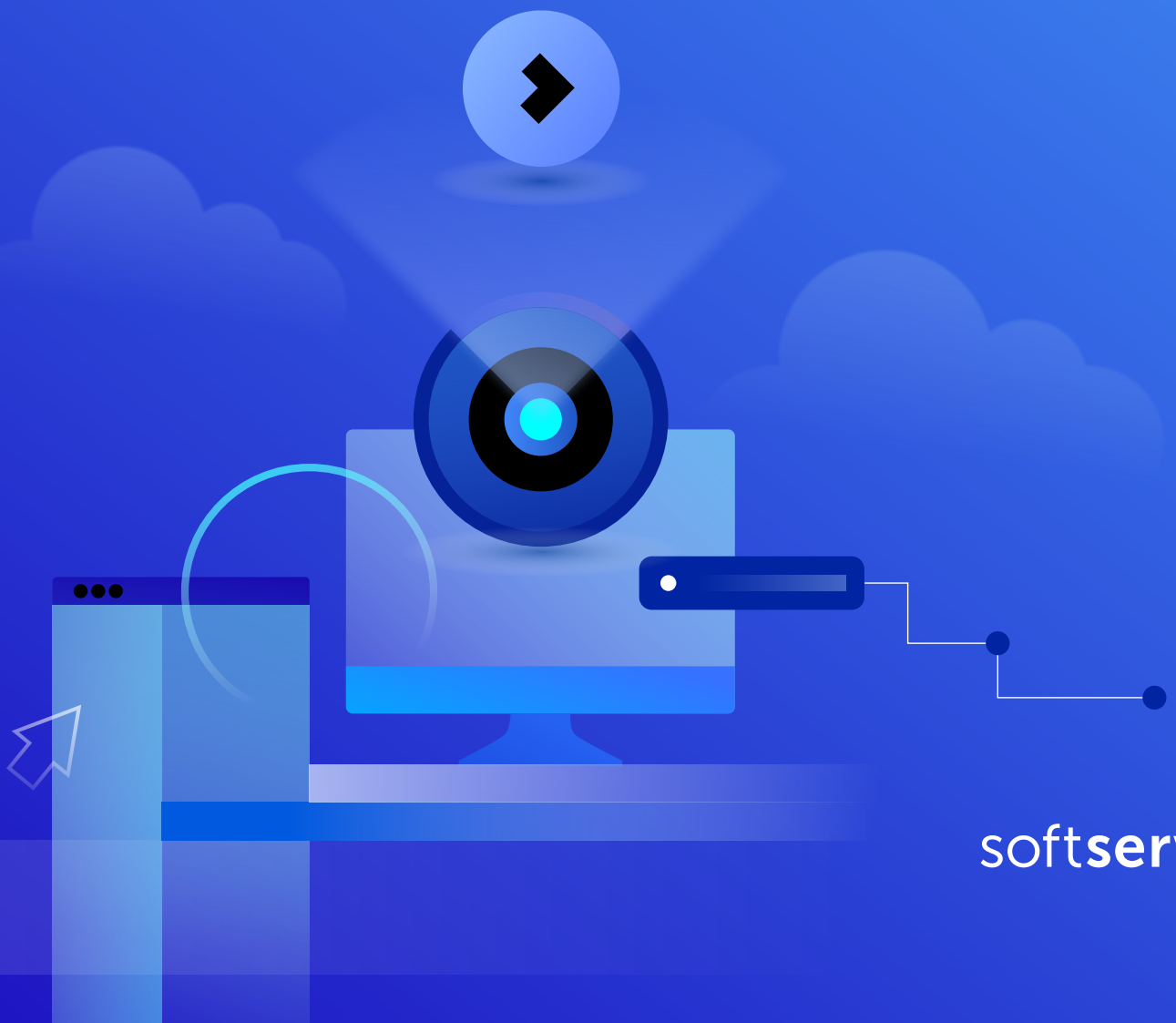# APPLICATION PORTFOLIO MODERNIZATION

A GUIDE FOR ENTERPRISES

softserve

If you're in the technology industry, you know the importance of staying ahead of the curve in the ever-evolving technology landscape, especially in the cloud-first era. Today, going cloud-native is a must; it offers significant benefits, including scalability, portability, and accelerated development speed.

Application modernization is a strategic investment that improves business growth and modernizes cloud offerings. A company that doesn't have an optimized infrastructure and a continuous modernization plan will suffer productivity bottlenecks, heightened maintenance costs, and, most importantly, security risks.

The use of apps increases as an organization grows. In turn, teams spend more time upgrading existing applications than developing new platform features or concentrating on initiatives that add value to the company.

Fortunately, there's a way to tackle this challenge in the modern business landscape. Companies prioritizing cloud application modernization ensure their teams can easily maintain existing applications and deliver innovative solutions.

This white paper presents a strategy for rationalizing your application portfolio. We'll explore how to effectively align digital systems with the business goals of your enterprise and how to ensure regulatory compliance while cutting expenses.

First, let's review the overall benefits that enterprises can achieve after updating their application portfolios.

Modernizing your application portfolio includes eliminating obsolete systems and redundant software in favor of flexible technologies aligned with your company's business goals. This transformation has significant advantages.

IMPROVED BUSINESS PERFORMANCE

Implementing innovative technologies like artificial intelligence (AI) and machine learning (ML) helps companies to optimize their business processes with remote productivity tools, analytics platforms, and process automation. Innovation, however, is nearly impossible without the cohesive organization of applications and IT components.

REDUCED TECHNICAL RISKS

Legacy systems and software products that power business operations inevitably reach the end-of-support and end-of-life stages. This limitation affects functionality and leads to integration issues, creating security vulnerabilities. Application portfolio modernization allows for the quick replacement of outdated software, avoiding unexpected problems.

ENHANCED CUSTOMER EXPERIENCE

Innovative software helps businesses create personalized interactions and anticipate customer needs. It also creates engaging experiences that promote customer loyalty and satisfaction, providing a competitive advantage.

OPTIMIZED COST OF OWNERSHIP

Application portfolio management allows companies to reduce IT management costs within the first year of implementation. It helps identify end-of-life software and redundant applications that consume a significant portion of the enterprise budget. Moreover, costs are optimized through vendor consolidation, software license optimization, cloud migration, and cost optimization practices such as effective resource tagging and workload management.

FLEXIBLE CLOUD ENVIRONMENT

Enterprises migrate their systems to cloud-based services to shorten development cycles, reduce operational expenses, and scale quickly on demand. However, migrating applications to the cloud, including hybrid cloud environments, requires substantial upfront work and a deep understanding of application dependencies.

READINESS FOR THE FUTURE

Executives recognize the importance of investing in digital technologies to gain a competitive advantage and navigate crises. Portfolio modernization prepares companies for future disruptions. With the array of benefits that application portfolio modernization brings, it's no surprise that this process requires careful consideration.

Let's explore the necessary steps to prepare for this transformative journey.

HOW TO PREPARE FOR APPLICATION PORTFOLIO MODERNIZATION

Optimizing software and a technical stack requires some groundwork. Here are the steps to follow before modernizing your application portfolio.

1.
ALIGN BUSINESS GOALS

The technical stack must provide measurable business value. The applications that power mission-critical capabilities and those with immediate benefits are the priority.

2.
PLAN THE MIGRATION APPROACH

The migration strategy must align with business objectives, operational factors, and current architecture. It's essential to identify the optimal infrastructure for each application (on-premises, public, or private cloud).

3.
DEFINE QUANTITATIVE INDICATORS

Objective metrics help measure how effectively applications support business processes regarding cost. These metrics can also help establish a baseline for comparing applications and service providers.

4.
ANALYZE SECURITY

Some applications can make the entire system vulnerable to data breaches. To avoid risks, analyze dependencies, security tools, and data management policies for sensitive data and classified applications.

When this groundwork is done, the modernization journey can begin.

APPLICATION PORTFOLIO MANAGEMENT ROADMAP

The modernization process involves in-depth analysis, assessment, and planning for each application, IT component, and business capability. Our strategy divides this complex process into several stages to make it more cost-efficient.

1. COLLECT METADATA

The journey starts with listing connections between all software programs, managed services, IT components, and business capabilities of an enterprise. The next step is to gather and consolidate metadata that includes usage metrics, resource utilization (RAM, CPU, storage), and uptime. Capturing metadata for extended periods gives more insight into an application portfolio. It helps identify rarely used software, systems with unexpected downtime, and tools that consume too many resources.

2. INTERVIEW STAKEHOLDERS

Interviews are an essential part of the audit. This stage requires identifying people who use software (both customers and employees), technical specialists and system administrators, as well as business and technical owners of these applications.

The next step is to appoint a team responsible for interviews and surveys and to interview the key stakeholders to measure the significance of applications for business processes. Using customized survey questionnaires for customer groups and departments can speed up the process.

3. DETERMINE VALUE

Combine metadata with information gained through interviews and surveys to assess each application's value based on business functions, application fitness, and maintenance costs. Make sure to factor in complexity, which includes dependencies between applications, IT components, data centers, and servers.

This stage requires calculating the financial impact of optimizing, migrating, and retiring applications. It would help if you also compared your tools to software from other providers based on their effectiveness and estimated total cost of ownership.

4. CREATE A RATIONALIZATION MODEL

The collected data is utilized to determine opportunities to rationalize the portfolio. It's better to keep it simple and categorize applications using the TIME method (Tolerate, Invest, Migrate, Eliminate).

- Tolerated applications meet business goals cost-efficiently, with no need for optimization and requiring only minor fixes.
- The Invest category includes software that requires refactoring, architecture enhancements, or significant reconfiguration.
- Some applications will need to be migrated from outdated systems or on-premises locations.
- The final step is eliminating or replacing redundant and end-of-life services with better alternatives.

5. CREATE AN IMPLEMENTATION ROADMAP

The implementation roadmap contains actionable steps for optimizing, migrating, and replacing an application portfolio. All the tasks, goals, and timelines need to be specific. This makes tracking the progress much easier and keeps all the stakeholders informed.

It's not recommended for enterprises with sizable portfolios to try and optimize everything at once. A better alternative would be to create a high-level schedule and approach the process in iterations. This allows you to focus on software that offers the greatest potential for cost-saving and efficiency gains in the short term.

6. AUTOMATE PORTFOLIO MANAGEMENT

Portfolio management must be as continuous and automated as possible. Enterprises should implement policies and procedures for IT governance and new application purchases to keep their portfolio in check.

Investing in software asset management tools will help to keep track of software lifecycles, licenses, utilization metrics, and other data that improve the visibility of your portfolio.

To get the most value from modernization, some specific success factors must be considered.

MAXIMIZING THE BENEFITS OF MODERNIZATION

Most efforts to modify the existing applications don't go according to plan. Only 28% of companies deem their digitization efforts successful; those companies still experience technical and collaboration failures.

Here's how to avoid shortcomings so you can fully reap the benefits of modernization.

Senior management engagement

The involvement of senior executives, tech leads, and product owners is a critical part of portfolio management. It helps stakeholders align modernization with strategic objectives, address technical gaps, and plan for application upgrades.

Effective feedback loop

Companies should convey assessment data in a clear, measurable, time-stamped, and visual way. It ensures that C-level managers and non-technical employees understand the strategic objectives.

Cross-team collaboration

A clear framework for decision-making helps senior managers, departments, and technical teams coordinate the application portfolio. This framework requires companies to identify software owners, technical administrators, and other stakeholders.

Application fitness analysis

A model for application fitness review helps enterprises assess each application and software module based on technical and business factors. Technical factors include stability, security, maintenance costs, and updated frequency. Business factors include data quality and supported business capabilities.

Budget planning

A financial model helps companies plan the budget for modernization. It should include estimated costs for the initial assessment, in-depth analysis, opportunity identification, and subsequent implementation.

Continuous management

Continuous management helps keep the system secure, ensure maximum uptime, and control the IT maintenance and software licensing costs. Enterprises can achieve this with performance monitoring, reassessment strategies, and specialized management platforms.

Experienced consultants

Hiring a tech company with cloud specialists, engineers, and architects improves the process. A consulting company like SoftServe will start with a comprehensive assessment to identify areas of opportunity, then create a customized roadmap that aligns with requirements, including governance processes to maintain an organized application portfolio.

Let's finish with specific cloud modernization benefits our clients realized after updating their application portfolios.

Embracing app modernization lets you leverage the latest tech stack, leading to enhanced business agility and cost efficiency, ultimately resulting in accelerated time to market. Here are some statistics shared by our customers:

Achieved 30% faster realization of cloud capabilities and business benefits by implementing it as part of a company-wide strategy.

Reduced costs by 50% through the consolidation of various projects and the creation of a comprehensive cloud program. Read this case study to learn more: Client Improves Cloud Usage Efficiency by 297% In 9 Months.

Achieved a 2x cost improvement by prioritizing a longer-term modernization strategy rather than focusing solely on migration.

Allocated upwards of 30% more spending on new value-add company changes by optimizing cloud costs and reallocating funds.

The economic slowdown is significantly impacting the tech sector, making cost optimization crucial. As more infrastructure moves to the cloud, the rising expenses associated with public cloud investment need to be considered. It is essential to understand and determine if your cloud strategy is recession-proof.

SUMMARY

Application portfolio management is a crucial component of a successful enterprise. Carefully selected technologies are the key to modernization success and improved customer experiences. In addition, enterprises can rationalize their cloud spending by optimizing, migrating, and retiring software.

However, it's important to note, transforming an application portfolio isn't done overnight. It is a gradual process that requires assessing applications, determining their value, and mapping opportunities for improvement. This ongoing approach ensures that IT remains aligned with the long-term business objectives.

SoftServe has significant expertise and experience in assisting enterprises in managing their portfolios — from organizing applications to optimizing business capabilities and achieving successful modernization outcomes.

Let's talk about your application portfolio.

ABOUT US

SoftServe is a global IT consulting firm that provides engineering talent, innovation, and cloud transformation to the banking, fintech, financial services, insurance, healthcare, retail, energy, and manufacturing industries. Our big data, AI/ML, cloud and DevOps, IoT, experience design, and cybersecurity solutions transform and optimize the way enterprises and software companies do business. With more than 13,000 associates spread across delivery centers in the U.S., Europe, and Latin America, we assure modernization, quality, and speed to clients around the world.

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